GOVERNMENT OF INDIA
POWER
LOK SABHA

STARRED QUESTION NO:162
ANSWERED ON:25.07.2002
NEW POWER TARIFF POLICY .
IQBAL AHMED SARADGI

Will the Minister of POWER be pleased to state:

(a) whether the Union Government have made it clear to the States thatany assistance is likely to be linked to verifiable time-bound steps taken by them to improve the quality, reliability and commercial viability of power supply;

(b) if so, whether the system of counter-guarantee has been a disaster and cannot be an alternative to commercial viability;

(c) if so, whether the Ministry has now prepared a new power tariff policy after consulting the State Governments;

(d) if so, the time by which it is likely to be announced; and

(e) the steps being taken to improve the power situation in the States?

Answer

THE MINISTER OF POWER (SHRI SURESH PRABHU)

(a) to (e) : A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OSTARRED QUESTION NO. 162 TO BE ANSWERED IN TI LOK SABHA ON 25.07.2002 REGARDING NEW POWER TARIFF POLICY.

(a) : The Government of India has been signing Memoranda ofUnderstanding (MOU) with States reflecting the joint commitment of the Centre and the States to undertake reforms in a time bound manner. These require the States to set up SERCs, undertake energy audit through full metering, reduce transmission and distribution losses and attain commercial viability. In reciprocation to the efforts of the States to achieve agreed milestones, the Central Government has committed assistance including allocation of additional power from unallocated share from Central Generating Stations, funds under specificprogrammes/schemes etc. The MOUs are now being fleshed out into MOAs withclearer and more specific milestones as the reform programme in the States is acquiring concrete shape. 22 States have been covered by this exercise till now.

The Accelerated Power Development and Reform Programme(APDRP)is designed to finance specific projects in identified distribution circles for a quick turn around and creation of centres of excellence. Initially 63 circles have been taken up for development as centres of excellence on the basis of well designed DPRs.The programme is being extended to cover concentrated loads and towns with population of over 1 lakhs where work on preparing DPRs hasbeen initiated. The base line data of DPRs is crucial for evaluating the results of the programme which is aimed at improving quality of supply as well as controlling theft and improving the financial health of the sector. This programme also includes an incentive scheme aiming at actual cash loss reduction by SEBs/Utilities. Under this scheme there is provision for grants by the Ministry of Power to SEBs/Utilities for actual cash loss reduction.

The Government of India (GOI) had set up an Expert Group underShri Montek Singh Ahluwalia to suggest, inter alia,the one time settlement of the dues owed by State Electricity Boards (SEBs) to Central Public SectorUndertakings (CPSUs).Recommendations made by the Expert Group under ShriMontek Singh Ahluwalia have been accepted.The scheme provides that 60% ofthe interest/surcharge on the delayed payments as on 30.9.2001 would be waived off and the rest of the dues would be securitised through tax-free bonds issued by the respective State Governments. There would also be incentives to the States fortimely payment of current dues. Default in making current payments shall attract, inter alia suspension of funds under APDRP.Further, in order to initiate steps towards reform of the sector, the SEBs shall accept reform based performance milestones such as setting up of SERCs, metering of distribution feeders,improvements in revenue realisation specified in the MOUs to be signed with theMinistry of Power.

With the Securitisation of past dues by the State Government and thecreation of the discipline of full payment for current supplies, the raising of the requisite resources from the market for the ambitious capacity addition programme of the CPSUs would become feasible. The State Governments can also use this togive their power utilities clean balance sheets to enable them to fully access markets for funds to finance their investment programmes.

(b) : On opening up of generation for the private sector, Government of India had offered counter guarantee to initial 8 projects to instil confidence among investors. Emphasis now is on restoration of commercial viability of distribution which alone can attract and sustain investment in generation.

(c) & (d) : A Working Group was constituted under the chairmanship of Special Secretary (Power) to prepare a concept paper on tariff policy. The Group has since submitted its report. A High Level Committee has been constituted under the chairmanship of Secretary (Power) to finalise the tariff policy after taking into account the comments and views of the various stakeholders and experts on the report of the Working Group. The exercise is scheduled to be completed in three months.

(e) : The Ministry of Power, after wide ranging consultations with all the stakeholders namely State Governments, State Electricity Boards, utilities, experts, trade unions, private investors and political leaders, has evolved a comprehensive and detailed Action Plan for turning around the power sector. The draft of an All Party Declaration of a Common Minimum Plan on Power has been prepared and circulated.
The Central Electricity Authority has estimated the requirement for an additional capacity addition of 1,00,000 MW for attaining the objective of power for all by 2012. For the Tenth Plan a capacity addition programme of approximately 41,000 MW has been targeted. With close monitoring from the beginning the capacity addition targeted for the Tenth Plan is expected to be achieved. Renovation and Modernization of the existing plants is being given priority. With other measures for:

? reducing technical losses in distribution under the tightly focussed APDRP programme;

? demand side management through energy efficiency and energy conservation; and

? improvement in capacities for inter-regional transfer of power through creation of the National Grid, the country is expected to achieve a satisfactory level in availability of power.

Rural electrification has now been included under Prime Minister`s Gramodaya Yojana (PMGY) from the year 2001-02 as a Basic Minimum Service. Electrification of all villages by 2007 and provision of access to all households by 2012 has been accepted as a national goal. The budget for the year 2002-03 provides for introduction of a new interest subsidy scheme called the Accelerated Rural Electrification Programme with an outlay of Rs.164 crore. This would enable States to give the rural electrification programme greater momentum by accessing funds liberally from the REC and the RIDF.

The forward-looking, reform−oriented Electricity Bill 2001 has been introduced in Parliament. The Bill, inter-alia, contains stringent provisions for penalty in case of power thefts. The Bill also includes provision for reduction of cross subsidies, and for payment of subsidies upfront by the State Governments to the State Power Utilities where such subsidies are considered unavoidable.

It is expected that the action plan briefly outlined in the preceding paragraphs would lead to improvement in the operational and financial performance of the State Electricity Boards/Utilities with restoration of commercial viability in a few years.